

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCTS PRICE CHANGES
RATES OF GENERAL APPLICABILITY

Docket No. CP2015-33

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**
(February 11, 2015)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 1, which was issued on February 6, 2015. Responses were due by February 11, 2015. Each question is reprinted verbatim and is followed by the Postal Service's response.

Respectfully submitted,

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February 11, 2015

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

1. Pursuant to 39 C.F.R. § 3015 *et seq.*, please provide an explanation and justification for the following changes to the MCS:
 - a. In Section 2105.5, the addition of Special Handling to the list of available Ancillary Services.
 - b. In Section 2110.3, the addition of Permit Imprint only to the minimum volume requirements description for the Commercial Plus Cubic Priority Mail product.

RESPONSE:

- a. The changes for Special Handling reflect the proposed expansion of Special Handling to Priority Mail Express in Docket No. R2015-4. See Docket No. R2015-4, Notice of Market-Dominant Price Adjustment, Attachment A, Part I, at 114 (January 15, 2015).
- b. This language was added to clarify that the 50 pound or 200 piece minimum only applies to Permit Imprint mailings, which is consistent with the current Domestic Mail Manual (DMM) language.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

2. In Section 2120.6, the price category for Parcel Return Service (PRS) Full Network is eliminated and all information related to PRS Full Network is stricken. However, IMpb Noncompliance Fee, following the PRS Full Network prices table and the stricken "c. Oversized Pieces", has not been stricken. Please clarify.

RESPONSE:

The reference to the IMpb Noncompliance Fee was not stricken because it applies to the entire Parcel Return Service product. It was not specific to the PRS Full Network option. It will continue to apply to Parcel Return Service as a whole.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

3. In Section 2615.5.3, the Postal Service proposes to combine the Outbound International Insurance tables in the MCS for Priority Mail International (PMI) and Priority Mail Express International (PMEI) Merchandise, e.g., MCS Section 2615.5.3a (Priority Mail International Insurance price table), and MCS Section 2615.5.3b (Priority Mail Express International Merchandise Insurance price table).
- a. In the combined insurance table, please confirm that the PMI Insurance prices are less than current prices presented in the Priority Mail International Insurance price table.
 - i. If not confirmed, please explain.
 - ii. If confirmed, please calculate the Outbound International Insurance percentage change in price for PMI.
 - b. In the combined insurance table PMEI Merchandise Insurance prices for insured values equal to or exceeding \$200 would be greater than current prices in the PMEI Merchandise Insurance price table. Below, Table 1 compares the Outbound International Insurance prices for PMEI Merchandise in the combined table with the select current prices. Please calculate the Outbound International Insurance percentage change in price for PMEI Merchandise.

Table 1		
Priority Mail Express International Merchandise Insurance		
Indemnity Limit Not Over (\$)	NEW Combined Price	Existing PMEI Insurance Price
50	1.55	
100	2.70	
200	3.85	2.35
300	5.00	
400	6.15	
500	7.30	3.85
600	8.45	
700	9.60	
800	10.75	
900	11.90	
Over 900	*	5.35
*11.90 plus 1.15 for each 100.00 or fraction thereof over 900 of insured value.		

- c. Please calculate the average percentage change in price for the International Ancillary Services product as a whole that includes the price changes for PMI Insurance and PMEI Merchandise Insurance.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

RESPONSE:

3. a. i. Confirmed.
- ii. The -13.7 percent change for PMI Insurance is calculated on the "*PMI INSURANCE*" tab of Intl SpecServ Calc.xls filed in Docket No. CP2015-33.
- b. The 231.1 percent change for PMEI Insurance is calculated on the "*PMEI INSURANCE*" tab of Intl SpecServ Calc.xls filed in Docket No. CP2015-33.
- c. The 25.4 percent change for International Ancillary Services is calculated on the "*INTL SPECIAL SERVICES*" tab of Intl SpecServ Calc.xls filed in Docket No. CP2015-33.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

4. In Section 2315.7, the Postal Service proposes zoned prices based on origin ZIP Code for Priority Mail International (PMI) destined to Canada. For PMI Retail and Commercial, Country Price Group 1 (Canada) is separated into the following zones: 1.1 and 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, and 1.8.
- a. Please propose language for the MCS describing the qualifying mail for each new zone.
 - b. Please explain the criteria used by the Postal Service to assign ZIP Codes to the referenced zones.
 - c. Please identify where in the Postal Service's Notice the ZIP Codes for each of the referenced zones can be found, or provide such ZIP Codes.

RESPONSE:

- a. The Postal Service does not believe that revised MCS language is needed because the definition of "zone" already exists in the MCS and is well understood in the context of domestic pricing. Nevertheless, to the extent the Commission concludes that additional MCS language is needed, the tables for PMI Parcels Retail Prices, PMI Parcels Commercial Base Prices, and PMI Parcels Commercial Plus Prices in Section 2315.7, could be revised to include a note to the following effect:
 - 1. The applicable sub-country group from 1.1 to 1.8 for pieces destined to Canada is based on the applicable zone from the origin point to the serving International Service Center (ISC). In future releases, distance to and within Canada could be considered for application of the appropriate sub-country groups.
- b. See response to subpart (a).
- c. The zoned distance from the origin point to the destination ISC determine the applicable rate. Given that there may be changes in serving ISC areas and that the concept of zoning is well understood in domestic pricing, the Postal Service does not believe it is necessary to list ZIP Code pairs. For reference, the five ISCs have the following ZIP Codes: New York (11430-9998), Chicago (60666-

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

9998), Los Angeles (90009-9998), Miami (33112-9997), San Francisco (94128-3161).

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

5. Sections 2110.5, 2115.5, 2125.5, and 2135.5 propose to remove Restricted Delivery from the list of optional Ancillary Services being offered in conjunction with Priority Mail, Parcel Select, First-Class Package Service, and Standard Post, respectively. Please confirm that the explanation and justification concerning removal of Restricted Delivery described in the Postal Service's Notice of Market Dominant Price Adjustment apply to its removal from the MCS descriptions for the competitive products listed above.² If not confirmed, please explain.

RESPONSE:

Confirmed.

² Docket No. R2015-4, United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015, at 36, 54-55; see *additionally id.* at 33-36.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

6. Sections 2600.2, 2615.3, 2615.3.1, 2615.3.3, 2615.5, 2615.5.1, and 2615.5.3 contain revisions to International Return Receipt and International Insurance. The Postal Service proposes to remove Inbound International Return Receipt and Insurance and offer only Outbound International Return Receipt and Insurance. Please confirm that the explanation and justification concerning the revisions to Outbound and Inbound International Return Receipt and Insurance described in the Postal Service's Notice of Market Dominant Price Adjustment also applies to its revisions to the MCS descriptions for the competitive products listed above.³ If not confirmed, please explain.

RESPONSE:

The Postal Service confirms that the explanation and justification concerning the revisions to Outbound and International Return Receipt described in the Postal Service's Notice of Market Dominant Price Adjustment,⁴ as supplemented by the Postal Service's response to Question 3c of Chairman's Information Request No. 3 in Docket No. R2015-4,⁵ apply to the Postal Service's proposal in this docket to remove Inbound International Return Receipt from MCS section 2615.3 and to change the title of MCS section 2615.3 from "International Return Receipt" to "Outbound International Return Receipt."⁶

The Postal Service does not confirm, however, that the explanation and justification concerning the revisions related to international insurance in MCS section 1510.5, which are set forth in the Postal Service's Notice of Market Dominant Price Adjustment,⁷ apply to the Postal Service's proposal in this docket to remove Inbound International Insurance from MCS section 2615.5 and to change the title of MCS section

³ [Docket No. R2015-4, United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015,] at 55.

⁴ *Id.*

⁵ See Responses of the United States Postal Service to Questions 1-5, and Question 6 (Parts A-D) of Chairman's Information Request No. 3, Docket No. R2015-4, February 4, 2015.

⁶ See Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 14-5, Docket No. CP2015-33, January 26, 2015, at 170.

⁷ United States Postal Service Notice of Market-Dominant Price Adjustment, Docket No. R2015-4, January 15, 2015, at 55.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

2615.5 from “International Insurance” to “Outbound International Insurance.”⁸ In Order No. 2160, which concerned the transfer of Inbound Surface Parcel Post (at UPU rates) to the competitive product list, the Commission struck through the entire MCS section 1510.5 Insurance.⁹ However, the title “1510.5 Insurance” remains in the most recent version of the MCS that is available on the Commission’s website.¹⁰ Therefore, the Postal Service seeks to remove the title of the market-dominant International Insurance MCS section 1510.5 in accordance with the revisions to the MCS that appear in Order No. 2160.¹¹ Because section 1510.5 Insurance should no longer be in the MCS, the explanation and justification concerning the revisions related to MCS section 1510.5 Insurance set forth in the Postal Service’s Notice of Market Dominant Price Adjustment¹² do not apply to the Postal Service’s proposal in this docket to remove Inbound International Insurance from MCS section 2615.5 and to change the title of MCS section 2615.5 from “International Insurance” to “Outbound International Insurance.”

⁸ See Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors’ Decision No. 14-5, Docket No. CP2015-33, January 26, 2015, at 171.

⁹ See PRC Order No. 2160, Order Approving Product List Transfer, Docket No. MC2014-28, August 19, 2014, at 13.

¹⁰ See (Draft) Mail Classification Scheduled, posted January 27, 2014 (with Revisions through: November 25, 2014), available at <http://www.prc.gov/mail-classification-schedule>, at 169.

¹¹ See PRC Order No. 2160, at 13.

¹² United States Postal Service Notice of Market-Dominant Price Adjustment, Docket No. R2015-4, January 15, 2015, at 55.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

7. Pricing information and the percentage increase for Adult Signature and Package Intercept Service were provided by the Postal Service in its financial data filed under seal. However, information on Adult Signature and Package Intercept Service were not included in the forecasted Fiscal Year (FY) 2015 Competitive Product contribution and cost coverage analysis table filed under seal. Are either or both Adult Signature and Package Intercept Service included services within the "Other Ancillary Services" product in the forecasted FY 2015 Competitive Product contribution and cost coverage analysis table filed under seal?
- a. If yes, please explain why there was no change in projected FY 2015 revenue for "Other Ancillary Services" despite the stated price increase set forth Governors' Decision No. 14-05. Please make adjustments to the forecasted FY 2015 Competitive Product contribution and cost coverage analysis table filed under seal, if applicable.
 - b. If no, please provide the forecasted FY 2015 revenues, volumes, attributable costs, contribution, and cost coverage for the Competitive Ancillary Services product. In your response, please include all source workpapers. In addition, please explain how the forecasted FY 2015 cost coverage for the Competitive Ancillary Services product complies with 39 U.S.C. § 3622(a)(2).

RESPONSE:

Adult Signature and Package Intercept Service included services both are within the "Other Ancillary Services" product in the forecasted FY 2015 Competitive Product contribution and cost coverage analysis table filed under seal.

- a. Not enough information is available to develop econometric models to estimate own-price elasticities for these price categories. In the absence of any firm basis for any other assumption, it is assumed that the effects of the price changes will be negligible.
- b. N/A

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

8. Please explain why there is no change in projected FY 2015 revenue for Address Enhancement Service despite a percentage increase in prices between zero and 4.7 set forth in Governors' Decision 14-05. Please make adjustments to the forecasted FY 2015 Competitive Product contribution and cost coverage analysis table filed under seal, if applicable.

RESPONSE:

Not enough information is available to develop econometric models to estimate own-price elasticities for Address Enhancement Service. In the absence of any firm basis for any other assumption, it is assumed that the effects of the price changes will be negligible.